



Australian Bureau of Statistics

6554.0 - Household Wealth and Wealth Distribution, Australia, 2011–12

ARCHIVED ISSUE Released at 11:30 AM (CANBERRA TIME) 21/08/2013

NOTES

ABOUT THIS PUBLICATION

This publication presents estimates of the assets, liabilities, net worth and other characteristics of households and persons resident in private dwellings in Australia, compiled from the 2011-12 Survey of Income and Housing (SIH). It includes estimates of the distribution of net worth across the population.

CHANGES IN THIS ISSUE

Key changes in this issue include:

- a decrease in fully responding sample size from 18,071 households in 2009-10 to 14,569 households in 2011-12. The expansion in the 2009-10 sample for an extra 4,200 households outside capital cities to support housing indicator reporting was maintained. The additional sample of metropolitan households whose main source of income was a government pension, benefit and/or allowance included in the 2009-10 SIH and HES samples to improve analysis for the Pensioner and Beneficiary Living Cost Index was not maintained
- an additional benchmark for the value of government benefit cash transfers used in 2009-10 was not required in 2011-12
- disability questions for persons aged 15 years and over were not asked in 2011-12, but will be collected in 2013-14
- the value of offset accounts was collected separately for the first time.
- improvements include aligning with international statistical standards for the classification of assets, whereby the value of own unincorporated businesses is now classified as a financial asset; previously it was classified as a non-financial asset. See Appendix 3, A new wealth framework of this publication for more information.

REVISIONS

Errors in processing the 2009-10 income data have been corrected, resulting in an average decrease of \$1 for mean equivalised disposable household income across all households. This was reflected largely in a decrease of 0.04% in the mean equivalised disposable household income of households in the second and third deciles. The income estimates for 2009-10 shown in this publication have been revised. The second edition of the 2009-10 CURF includes the revised estimates.

EFFECTS OF ROUNDING

Where figures have been rounded, discrepancies may occur between sums of the component items and totals. Published percentages are calculated prior to rounding of the figures and therefore some discrepancy may exist between these percentages and those that could be calculated from the rounded figures.

INQUIRIES

For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or Living Conditions on Canberra (02) 6252 6174, email <living.conditions@abs.gov.au>.

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SUMMARY OF FINDINGS

INTRODUCTION

This publication provides details of the components and distribution of household net worth, or wealth. Wealth is an important component of household economic wellbeing. The economic wellbeing of individuals is largely determined by their command over economic resources. Income and wealth are the economic resources that households use to support their consumption of goods and services. Wealth may be used to support current consumption or retained to support future consumption.

The estimates of net worth in this publication are derived from the value of households' assets less their liabilities, as collected in the 2011-12 Survey of Income and Housing (SIH). Comprehensive information on household assets and liabilities was collected for the first time in the 2003-04 SIH, and again in 2005-06 and 2009-10. Tables 1 and 2 in this publication show data across the time series.

While there may be individual ownership of assets, the benefits of asset ownership are shared at least to some extent between members of the household. Therefore this publication presents estimates of household wealth along with estimates of household income and other characteristics of households.

Further information on household income is available from the publication Household Income and Income Distribution, Australia, 2011-12 (cat.no. 6523.0).

LEVEL OF WEALTH

In real terms the value of mean household net worth in 2011-12 was \$728,000 which is not statistically different from the value of mean household net worth in 2009-10 (\$759,000). However the value of mean household net worth in 2011-12 (\$728,000) is 9% higher than in 2005-06 (\$667,000) and 24% higher than in 2003-04 (\$585,000) (table 1).

COMPOSITION OF WEALTH

Wealth is a net concept and measures the extent to which the value of household assets exceeds the value of their liabilities. In 2011-12, the mean value of household assets was \$858,000 (table 6). The corresponding value of mean household liabilities was \$130,000, resulting in the mean household net worth of \$728,000 (table 6).

Assets

Owner occupied properties were the largest asset held by households, accounting for 43% (table 9) of household assets and represents a value of \$370,000 (table 6) when averaged across all households. For owner occupiers without a mortgage, the average dwelling value is \$546,000 (table 18). Just under 20% of households owned property other than the dwelling in which they lived, including residential and non-residential property for rent, and holiday homes (table 8). The value of this property averaged \$129,000 across all households (table 6) and accounted for 15% of total property assets (table 9).

Balances in superannuation funds were the largest financial asset held by households, averaging \$132,000 per household across all households (table 6). Eighty percent of households had some superannuation assets (table 8), but the distribution is asymmetrical, with the third net worth quintile having a mean of \$65,000 (table 6), reflecting the relatively small number of households with high superannuation balances and the relatively large number of households with zero or low superannuation balances.

In the SIH, the values of own unincorporated and incorporated businesses are measured on a net basis, that is, the value of assets less the value of liabilities. The net value of own unincorporated businesses averaged \$21,000 across all households and the net value of own incorporated businesses averaged \$28,000 across all households (table 6).

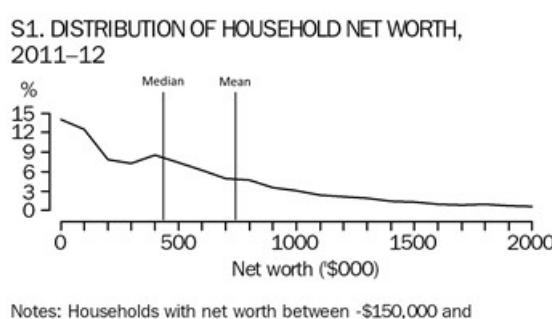
Liabilities

Loans outstanding on owner occupied dwellings were the largest household liability. They averaged \$204,000 (table 18), for owner occupier households with a mortgage, giving them an average net value for their dwellings of \$347,000 (table 18). Across all households, the average value of loans outstanding on owner occupied dwellings was \$75,000, or 57% of average household liabilities. Loans outstanding for other property averaged \$42,000. The average credit card debt for all households was \$2,700 (table 6). Credit card debt was similar across the net worth quintiles with the second (\$3,100) and fifth (\$3,200) net worth quintile having similar levels of average credit card debt.

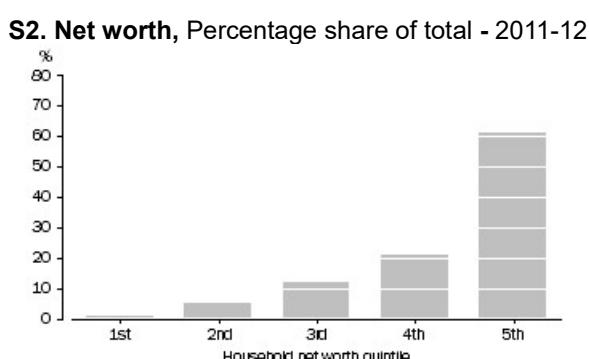
DISTRIBUTION OF WEALTH

While the mean household net worth of all households in Australia in 2011-12 was \$728,000, the median (i.e. the mid-point when all households are ranked in ascending order of net worth) was substantially lower at \$434,000 (table 7). This difference reflects the asymmetric distribution of wealth between households, where a relatively small number of households had high net worth and a relatively large number of households had low net worth, as illustrated in the following frequency distribution graph (S1).

The asymmetric distribution of wealth can also be seen in table 2 which lists the number and percentage of households in selected net worth ranges. Table 2 shows that over 1.2 million households (14%) had net worth less than \$50,000, with 114,000 of these households having negative net worth (1% of all households).



Another measure of wealth distribution is provided by the net worth shares of groups of households at different points in the wealth distribution. The following graph (S2) shows that in 2011-12, households in the highest net worth quintile held more than 60% of the total net worth of all households, while a further 21% was held by households in the 4th quintile. By comparison, the lowest three quintiles held, in total, 18% of total net worth.



Changes in net worth distribution from 2003-04 to 2011-12

The share of total household net worth owned by households in each of the net worth quintiles has not changed significantly from 2009-10 to 2011-12. However, the share of net worth held by the second, third and fifth quintiles has changed for the period 2003-04 to 2011-12 (table 1). The share of net worth held by the second net worth quintile has decreased from 6.0% in 2003-04 to 5.2% in 2011-12 (table 1). Also the share of net worth held by the third net worth quintile has decreased from 12.7% in 2003-04 to 12% in 2011-12, and the share of net worth held by the highest net worth quintile has increased from 59.0% in 2003-04 to 60.8% in 2011-12 (table 1).

S3. CHANGES IN REAL NET WORTH DISTRIBUTION, 2003-04 to 2011-12

	2003-04(a)	2005-06	2009-10	2011-12	Percentage change 2009-10 to 2011-12
Mean household net worth					
Low net worth	\$ 30 439	32 389	33 564	31 205	-7
Middle net worth	\$ 370 230	404 851	450 360	437 856	-3

High net worth	\$	1 726 151	2 038 900	2 344 423	2 215 032	-6
All households	\$	585 264	666 894	759 030	728 139	-4
Median household net worth						
Low net worth	\$	27 508	29 035	31 646	29 600	-6
Middle net worth	\$	368 813	402 565	448 842	434 234	-3
High net worth	\$	1 239 386	1 374 370	1 555 752	1 594 626	3
All households	\$	368 813	402 565	448 842	434 234	-3
Percentage share received by households						
Low net worth	%	1.0	1.0	0.9	0.9	-3
Middle net worth	%	12.7	12.1	11.9	12.0	1
High net worth	%	59.0	61.1	61.8	60.8	-2

(a) In 2011-12 dollars, adjusted using changes in the Consumer Price Index

Wealth and income

The distribution of wealth shows greater variability when compared to the distribution of incomes. This can be seen by analysing percentile ratios. The net worth of the households at the top of the 80th percentile was 11.6 times higher than the net worth of the households at the top of the 20th percentile (i.e. the ratio of the value of the top of P80 to the value at the top of P20). The corresponding P80/P20 ratio for gross household income was 4.5 (table 1).

S4. SELECTED DISTRIBUTION INDICATORS, Household net worth and gross household income - 2011-12

		Household net worth(a)	Gross household income(a)
Ratio of values at top of selected percentiles			
P90/P10	ratio	53.87	9.06
P80/P20	ratio	11.61	4.45
P80/P50	ratio	2.36	1.90
P20/P50	ratio	0.20	0.43
Percentage share received by households in			
Lowest net worth quintile	%	0.9	12.1
Middle net worth quintile	%	12.0	17.4
Highest net worth quintile	%	60.8	31.3
Percentage share received by households in			
Lowest gross income quintile	%	12.4	4.3
Middle gross income quintile	%	16.4	15.7
Highest gross income quintile	%	36.8	46.5

(a) Quintile and percentile boundaries are derived separately for household net worth and gross household income. For information about the derivation of quintiles, percentiles and mean values for these data items, see Appendix 1

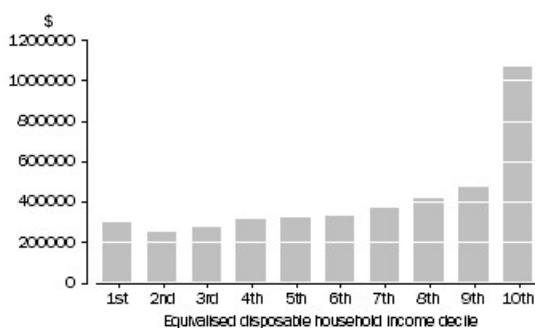
Wealth is distributed between households somewhat differently to income. While the households in the lowest net worth quintile accounted for less than 1% of total household net worth, they accounted for 12% of total gross household income. The households in the lowest gross household income quintile accounted for 4% of total gross household income but 12% of total net worth (table S4).

The differences in the distribution of wealth and income partly reflect the common pattern of wealth being accumulated during a person's working life and then being utilised during retirement. Therefore many households with relatively low wealth have relatively high income, especially if they are younger households. Conversely older households may have accumulated relatively high net worth over their lifetimes, but have relatively low income in their retirement.

In addition, some households have low or even negative incomes due to business or investment losses but still have relatively high levels of net worth.

Graph S5 below shows the relationship between equivalised (i.e. standardised with respect to household size and composition) disposable household income and equivalised net worth deciles. The lowest equivalised income decile had a higher mean equivalised net worth (\$300,000) than the second and third income deciles. Average equivalised net worth of households in the highest (tenth) income decile was more than double that of households in the ninth income decile (\$1,067,000 and \$472,000 respectively).

S5. Mean equivalised net worth, All households - 2011-12



Household characteristics

Households with different characteristics tend to have different levels of net worth, as shown in table 7 of the publication, and summarised in the following table (S6). Low net worth households had lower equivalised disposable household income compared to middle and high net worth households (\$637 per week, compared with \$824 and \$1303 per week, respectively).

High net worth households had the highest incidence of home ownership without a mortgage (59%), whereas 91% of the households in the lowest net worth quintile were renters. High net worth households contained more people on average (2.8) than the low and middle net worth groups (2.3 and 2.5) and more employed persons on average (1.5) compared with low and middle net worth households (0.9 and 1.2, respectively) (table 7).

The average age of the household reference person was older in the high net worth group (57 years) compared to the middle net worth group (54 years) and the low net worth group (41 years), reflecting that wealth generally accumulates with age.

S6. HOUSEHOLD CHARACTERISTICS, Net worth groups - 2011-12

	Low net worth	Middle net worth	High net worth
Mean net worth	\$ 31 205	437 856	2 215 032
Mean gross income per week	\$ 1 121	1 606	2 894
Mean equivalised disposable household income per week	\$ 637	824	1 303
Owns home without a mortgage	% * -	37.0	59.0
Owns home with a mortgage	% 4.0	53.0	36.0
Rents from a private landlord	% 69.0	8.0	3.0
Rents from a state/territory housing authority	% 17.0	** -	-
Average number of persons in the household	no. 2.0	3.0	3.0
Average number of employed persons in the household	no. 1.0	1.0	2.0
Average age of reference person in the household	years 41	54	57

* estimate has a relative standard error of 25% to 50% and should be used with caution

** estimate has a relative standard error greater than 50% and is considered too unreliable for general use

- nil or rounded to zero (including null cells)

Life cycle stages

A typical life cycle includes childhood, early adulthood and the forming and maturing of families, as illustrated in tables 22 and 23 of the publication. Other family situations and compositions are shown in tables 20 and 21. The following table compares households in different life cycle stages (S7).

S7. NET WORTH AND HOUSEHOLD CHARACTERISTICS, For selected life cycle groups - 2011-12

	Number of households '000	Average number of household net worth no.	Mean household net worth \$'000	Mean gross household income per week \$	Proportion owning home without a mortgage %	Proportion owning home with a mortgage %
Lone person aged under 35	300.6	1.0	160	1 080	*2.4	30.8
Couple only, reference person aged under 35	470.4	2.0	259	2 543	*1.1	43.4
Couple with dependent children only						
Eldest child under 5	482.2	3.4	459	2 314	3.7	60.8
Eldest child 5 to 14	859.8	4.2	803	2 523	9.4	62.3
Eldest child 15 to 24	546.7	4.1	1 134	2 606	23.2	60.9
Total	1 888.7	4.0	811	2 494	11.9	61.5

Couple with						
Dependent and non-dependent children only	272.5	4.7	1 020	3 143	23.9	58.2
Non-dependent children only	504.8	3.3	1 174	2 742	44.5	44.6
Couple only, reference person aged 55 to 64	518.2	2.0	1 266	1 857	55.1	34.2
Couple only, reference person aged 65 and over	796.0	2.0	1 189	1 021	82.1	8.2
Lone person aged 65 and over	801.5	1.0	623	542	71.9	4.8
One parent one family households with dependent children	503.9	3.1	251	1 210	7.3	29.2

* estimate has a relative standard error of 25% to 50% and should be used with caution

Of the selected life cycle groups, the group with the highest mean household net worth was couple only, reference person aged 55 to 64 (\$1,266,000). Many of these people are either nearing the end of their time in the labour force or have recently retired, that is, they are at the end of the main wealth accumulation period. People over 65 had lower net worth on average (\$1,189,000 for couples and \$623,000 for lone persons), at least partly reflecting a run-down of assets to support consumption in retirement. These older cohorts may also have had less opportunity for capital accumulation in earlier decades, for example, because women had lower participation rates in the paid work force (table S7).

Lone persons aged under 35 had the lowest mean household net worth, at \$160,000 (table 23). The mean household net worth of couple only households with a reference person aged under 35 was \$259,000 (table 22). These couple only households had more than twice the level of mean gross household income of the young lone person household (\$2,543 per week compared with \$1,080 per week). The mean age of the household reference person in both household types was 28, that is, they had had the same amount of time on average to accumulate wealth (table 23).

One parent, one family households with dependent children had a mean net worth of \$251,000, compared to \$833,000 for couple family households with dependent children (table 21). Differences in relative age did not contribute significantly to this substantial difference in net worth, since the average age of parent was 41 years for the one parent families and 42 years for couple families. Home ownership for the one parent family households was about half that of the couple family households (37% and 75% respectively) (table 21).

Tenure and landlord type

There is a strong correlation between net worth and home ownership, and for many households, their dwelling is their main asset.

Owners without a mortgage had the highest mean net worth (\$1,237,000) which is 70% higher than the mean net worth of all households (\$728,000). The mean net value of owner occupied dwellings for this group was \$546,000 or 44% of their total mean net worth (table 18).

Owners with a mortgage also had higher mean net worth (\$790,000) than the average for all households. This group also had higher liabilities than the average for all households (\$288,000 compared with \$130,000). Almost three-quarters (71%) of their liabilities were from the principal outstanding on loans for owner occupied dwellings (table 18).

Renters had lower mean net worth (\$160,000) which is 22% of the average for all households. Private renters averaged net worth of \$179,000, while renters from state/territory housing authorities averaged net worth of \$43,000 (table 18).

States and territories

Household net worth varies between states and territories. In 2011-12 Tasmanian households recorded the lowest mean net worth at \$601,000, or 17% below the average for all Australian households (table 30). Canberra (ACT) households had a mean net worth of \$930,000, 19% above the capital city average of \$781,000 (table 26) and 28% above the average for all Australian households of \$728,000 (table 30). Household net worth was also higher in capital cities compared to other areas. The mean net worth of \$781,000 for capital city households (table 26) was 22% above the mean for households in the remainder of Australia of \$638,000 (table 28).

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Provides estimates of household net worth, or wealth, classified by various characteristics. Also includes summary measures of the distribution of household net worth in Australia. Classifications used to describe households include net worth quintile, income quintile, principal source of household income, family composition, tenure type, and geographic location. For each category of household, estimates of the various assets and liabilities comprising net worth are provided, along with estimates of household income, household size, and other characteristics.

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This document was added or updated on 06/02/2014.

Corrected title on website to "Household Wealth and Wealth Distribution" data cubes and only aesthetic changes have been made to the data cubes (formatting).

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EXPLANATORY NOTES

INTRODUCTION

1 This publication presents a summary of the findings about household wealth and wealth distribution compiled from the 2011-12 Survey of Income and Housing (SIH). The survey collected detailed information about the income, assets, liabilities, and household characteristics of persons aged 15 years and over resident in private dwellings throughout Australia. Limited information was also collected on persons aged under 15 years, including the value of assets (if any). In this publication, net worth is the main measure used to describe wealth.

2 This is the fourth issue of this publication. Detailed wealth data were collected for the first time in the SIH in 2003-04, 2005-06, and in 2009-10. Comprehensive wealth data were not collected in 2007-08, however, the value of owner occupied dwellings is available.

3 The statistics in this publication present a broad overview of household wealth data. Emphasis has been given to highlighting the differing household wealth compositions and distributions revealed when mean household wealth is cross-classified by various household characteristics, such as income levels and sources, family composition of the household, geographic location and reference person characteristics.

Survey of Income and Housing

4 The SIH was conducted continuously from 1994-95 to 1997-98, and then in 1999-2000, 2000-01 and 2002-03. From 2003-04, the SIH has been conducted every two years. The 2011-12 SIH collected information from a sample of 14,569 households over the period July 2011 to June 2012.

CHANGES IN THIS ISSUE

5 Key changes to the 2011-12 SIH include:

- a decrease in fully responding sample size from 18,071 households in 2009-10 to 14,569 households in 2011-12. The expansion in the 2009-10 sample for an extra 4,200 households outside capital cities to support housing indicator reporting was maintained. The additional sample of metropolitan households whose main source of income was a government pension, benefit and/or allowance included in the 2009-10 SIH and HES samples to improve analysis for the Pensioner and Beneficiary Living Cost Index was not maintained
- an additional benchmark for the value of government benefit cash transfers used in 2009-10 was not required in 2011-12
- disability questions for persons aged 15 years and over were not asked in 2011-12, but will be collected in 2013-14
- the value of offset accounts was collected separately for the first time

Changes to the survey sample

6 The expansion in the 2009-10 sample for an extra 4,200 households was maintained in the 2011-12 SIH. This additional sample of households outside capital cities better supports Council of Australian Governments (COAG) performance indicator reporting, particularly in regard to housing affordability and home ownership measures required under COAG intergovernmental agreements.

7 The additional sample of metropolitan households whose main source of income was a government pension, benefit and/or allowance included in the 2009-10 SIH and HES samples has not been maintained in the 2011-12 sample. This main purpose of this additional sample was to support improved analysis for the Pensioner and Beneficiary Living Cost Index (PBCI).

Income measures

8 In 2007-08 the ABS revised its standards for household income statistics following the adoption of new international standards in 2004 and review of aspects of the collection and dissemination of income data. The income estimates from 2007-08 onwards apply the new income standards, and are not directly comparable with estimates for previous cycles.

9 To the extent possible, the estimates for 2003-04 and 2005-06 shown in the time series tables in this publication also reflect the new treatments.

10 For more detail on the nature and impact of the changes on the income data see Appendix 4 of **Household Income and Income Distribution, Australia, 2007-08** (cat. no. 6523.0).

Other changes

11 Errors in processing the 2009-10 income data have been corrected, resulting in an average decrease of \$1 for mean equivalised disposable household income across all households. This was reflected largely in a decrease of 0.04% in the mean equivalised disposable household income of households in the second and third deciles. The income estimates for 2009-10 shown in this publication have been revised. The second edition of the 2009-10 CURF includes the revised estimates.

CONCEPTS AND DEFINITIONS

12 The concepts and definitions relating to statistics of income and net worth are described in the following section. Other definitions are included in the Glossary.

Households

13 The household is the basic unit of analysis in this publication. A household consists of one or more persons, at least one of whom is at least 15 years of age. The persons in a household may or may not be related.

14 The household is adopted as the basic unit of analysis because it is assumed that sharing of the use of goods and services occurs at this level. If smaller units, say persons, are adopted, then it is difficult to know how to attribute to individual household members the use of shared items such as food, accommodation and household goods. Intra-household transfers, however, are excluded. For example, if one member of the household were to pay board to another member of the same household then this is not considered as an increase in the amount of income or housing costs of the household. If such transfers were to be included there would be double counting.

Person

15 In this publication, most of the income and wealth distribution measures are calculated with respect to households, rather than persons. Such measures are sometimes known as household weighted estimates. Equivalised measures are generally based on numbers of people rather than numbers of households. This is to ensure that people in large households are given as much weight in the distribution as people in small households.

Income

16 Household income consists of all current receipts, whether monetary or in kind, that are received by the household or by individual members of the household, and which are available for, or intended to support, current consumption.

17 Income includes receipts from:

- wages and salaries and other receipts from employment (whether from an employer or own incorporated enterprise), including income provided as part of salary sacrifice and/or salary package arrangements
- profit/loss from own unincorporated business (including partnerships)
- net investment income (interest, rent, dividends, royalties)
- government pensions and allowances
- private transfers (e.g. superannuation, regular workers' compensation, income from annuities, child support, and financial support received from family members not living in the same household).

18 Receipts of family tax benefit are treated as income, regardless of whether they are received fortnightly or as a lump sum. The aged persons' savings bonus and self-funded retirees' supplementary bonus, paid as part of the introduction of The New Tax System in 2000-01 are regarded as capital transfers as they were designed to help retired people maintain the value of their savings and investments following the introduction of the GST. However, the one-off payment to older Australians paid in 2000-01, 2005-06 and 2007-08, the one-off payment to families paid since 2003-04, and the one-off

payments to carers paid since 2003-04, are included as income as they were primarily a supplement to existing income support payments. The maternity payment introduced in July 2004, now referred to as the Baby Bonus, and the paid parental leave payment are also included as income.

19 The one-off clean energy advance payment paid in May 2012 and June 2012 is also included as income. This one-off payment was paid to pensioners, other income support recipients, families receiving Family Tax Benefit payments and Senior Supplement recipients, provided they met eligibility requirements.

20 Also included as income is the one-off Education Tax Refund that was paid to eligible families in June 2012. This one-off payment was made payable to families receiving Family Tax Benefit Part A, plus young people in school receiving Youth Allowance and some other income support and veterans' payments, providing they met the age and education requirements.

Gross income

21 Gross income is the sum of the income from all sources before income tax and the Medicare levy have been deducted. Prior to 2005-06 family tax benefit paid through the tax system or as a lump sum was excluded from gross income for practical reasons but deducted in deriving disposable income. Since 2005-06 these payments have been included in gross income.

Disposable income

22 Disposable income better represents the economic resources available to meet the needs of households. It is derived by deducting estimates of personal income tax and the Medicare levy from gross income. Medicare levy surcharge was also calculated and deducted from gross income while calculating disposable income (as it was for the first time in 2007-08).

23 Income tax is estimated for all households using taxation criteria for 2011-12 and the income and other characteristics of household members reported in the survey.

24 Prior to 2005-06 the derivation of disposable income also included the addition of family tax benefit paid through the tax system or as a lump sum by Centrelink since for practical reasons it was not included in the gross income estimates.

Equivalised disposable income

25 In most tables in this publication, gross household income (as described in the previous paragraphs) is presented along with estimates of net worth. However, when using income as an approximate means of ranking households according to their relative standards of living (as in tables 1, 10 and 11), it is more appropriate to use equivalised disposable household income.

26 Equivalised disposable household income is calculated by adjusting disposable household income by the application of an equivalence scale. This adjustment reflects the requirement for a larger household to have a higher level of income to achieve the same standard of living as a smaller household. Where disposable income is negative, equivalised disposable income is set to zero.

27 When household income is adjusted according to an equivalence scale, the equivalised income can be viewed as an indicator of the economic resources available to a standardised household. For a lone person household, it is equal to income received. For a household comprising more than one person, equivalised income is an indicator of the household income that would be required by a lone person household in order to enjoy the same level of economic wellbeing as the household in question.

28 For more information on the use of equivalence scales, see Appendix 3 in **Household Income and Income Distribution, Australia, 2011 -12** (cat. no. 6523.0).

Lowest income decile

29 While equivalised income generally provides a useful indicator of economic wellbeing, there are some circumstances which present particular difficulties. Some households report extremely low and even negative income in the survey, which places them well below the safety net of income support provided by social security pensions and allowances. Households at all income levels may underreport their incomes in the survey, including low income households. However, households can correctly report low levels of income if they incur losses in their unincorporated business or have negative returns from their other investments.

30 Studies of income and expenditure reported in HES surveys have shown that such households in the bottom income

decile and with negative gross incomes tend to have expenditure levels that are comparable to those of households with higher income levels (and slightly above the average expenditures recorded for the fifth income decile). This suggests that these households have access to economic resources such as wealth, or that the instance of low or negative income is temporary, perhaps reflecting business or investment start up. Other households in the lowest income decile in past surveys had average incomes at about the level of the single pension rate, were predominantly single person households, and their main source of income was largely government pensions and allowances. However, on average, these households also had expenditures above the average of the households in the second income decile, which is not inconsistent with the use of assets to maintain a higher standard of living than implied by their incomes alone.

31 It can therefore be reasonably concluded that many of the households included in the lowest income decile are unlikely to be suffering extremely low levels of economic wellbeing. Income distribution analysis may lead to inappropriate conclusions if such households are used as the basis for assessing low levels of economic wellbeing. For this reason, tables showing statistics classified by equivalised income quintile include a supplementary category comprising the second and third income deciles, which can be used as an alternative to the lowest income quintile. (For an explanation of quintiles and deciles, see Appendix 1.)

32 Whenever a HES is conducted, analysis of households in the lowest income decile can be improved through direct observation of the expenditure and net worth of these households. An examination of the characteristics and economic circumstances of people living in households with low economic resources from 2009-10 HIES is included in the feature article in **Household Wealth and Wealth Distribution, Australia, 2009-10** (cat. no. 6554.0).

33 Although expenditure data were not collected in SIH 2011-12, analysis on people living in households with low economic resources such as low income, low wealth is provided in the feature article in **Household Income and Income Distribution** (cat. no. 6523.0).

Net worth

34 Net worth, often referred to as wealth, is the value of a household's assets less the value of its liabilities. Assets can take many forms including:

- produced tangible fixed assets that are used repeatedly and for more than one year, such as dwellings and their contents, vehicles, and machinery and equipment used in businesses owned by households
- intangible fixed assets such as computer software and artistic originals
- business inventories of goods
- non-produced assets such as land
- financial assets such as bank deposits (including offset accounts), shares, superannuation account balances, and the outstanding value of loans made to other households or businesses.

35 Liabilities are primarily the value of loans outstanding including:

- mortgages
- investment loans
- credit card debt
- borrowings from other households
- debt on other loans such as personal loans to purchase vehicles and study loans.

36 In the 2011-12 SIH, some asset and liability data were collected on a net basis rather than collecting for each component listed above. In particular, if a survey respondent owned or part owned a business, they were asked how much they would receive if they sold their share of the business and paid off any outstanding debts.

37 Outstanding loans reflect the amount owing for an asset. The equity held in an asset may increase over time as an outstanding loan amount is reduced (e.g. the value of a dwelling with relation to the loan amount outstanding on that dwelling). Where only the proportion of a loan is used for a purpose, only the proportion outstanding for this purpose is included. The proportioning of loans applies to all of the examples mentioned in this publication, particularly in the paragraphs below.

38 Value of property estimates include the value of any associated land which would be included in the sale of the dwelling if it were sold (for separate houses it includes value of land, for caravans it includes value of site if owned by the household, for farm dwellings it includes home paddock). The estimated value is reported by the household respondent.

Equivalised net worth

39 Equivalised net worth is calculated by adjusting net worth with an equivalence scale. The same equivalence scale and methodology is applied to calculate equivalised net worth as has been described for calculating equivalised disposable income in these Explanatory notes.

Relationship between net worth and income

40 The tables in this publication provides information about the net worth and income of households, but it would be misleading to assume that household net worth and household income necessarily have a positive relationship. Higher income households may have higher wealth as wealthier households have more assets to earn income and higher income households also have a higher ability to save.

41 However, household net worth is also dependent on other characteristics such as life cycle effects, family composition, etc. The differences in the distribution of wealth and income partly reflect the common pattern of wealth being accumulated during a person's working life, and then being utilised during retirement. Some households with relatively low wealth have relatively high income, especially if they are younger households. Conversely older households may have accumulated relatively high net worth over their lifetimes, but have relatively low income in their retirement.

Relationship between net worth from SIH and from the Australian System of National Accounts

42 This publication contains estimates of the wealth of Australian households compiled from data collected in the SIH. The Australian System of National Accounts (ASNA) also provide estimates of the net worth of the household sector. Appendix 4 compares wealth data from the two data sets and describes and quantifies some of the major scope, definitional and methodological differences between the two.

SURVEY METHODOLOGY

Scope

43 The survey collects information by personal interview from usual residents of private dwellings in urban and rural areas of Australia (excluding very remote areas), covering about 97% of the people living in Australia. Private dwellings are houses, flats, home units, caravans, garages, tents and other structures that were used as places of residence at the time of interview. Long-stay caravan parks are also included. These are distinct from non-private dwellings which include hotels, boarding schools, boarding houses and institutions. Residents of non-private dwellings are excluded.

44 Usual residents excludes:

- households which contain members of non-Australian defence forces stationed in Australia
- households which contain diplomatic personnel of overseas governments
- households in collection districts defined as very remote - this has only a minor impact on aggregate estimates except in the Northern Territory where such households account for about 23% of the population.

Data collection

45 Information for each household was collected using:

- a household level computer assisted interview questionnaire which collected information on household characteristics, and some assets and liabilities
- an individual level computer assisted interview questionnaire which collected information on income, some assets and liabilities, child care costs, and other personal characteristics from each usual resident aged 15 years and over.

46 Sample copies of the above documents are included in the **Survey of Income and Housing, User Guide, Australia, 2011-12** (cat. no. 6553.0), expected to be released in August 2013.

Sample design

47 The sample was designed to produce reliable estimates for broad aggregates for households resident in private dwellings aggregated for Australia, for each state and for the capital cities in each state and territory. More detailed estimates should be used with caution, especially for Tasmania, the Northern Territory and the Australian Capital Territory (see Appendix 2).

48 For the 2011-12 SIH, dwellings were selected through a stratified, multistage cluster design from the private dwelling framework of the ABS Population Survey Master Sample. Selections were distributed across a twelve month enumeration period so that the survey results are representative of income patterns across the year.

Non-responding households

49 Of the selected dwellings there were 18,298 households in the scope of the survey. Of these, 3,729 did not respond at all to the questionnaire, or did not respond adequately. Of these 3,729 households, 49% were not able to be contacted during the survey enumeration and 32% were contacted but either refused to respond or were not able to respond. The remainder of these households included:

- households affected by death or illness of a household member
- households in which the significant person(s) in the household did not respond because they had language problems a language barrier? or refused to participate.
- households in which the significant person(s) did not respond to key questions.

Partial response and imputation

50 Some households did not supply all the required information but supplied sufficient information to be retained in the sample. Such partial response occurs when:

- income or other data in a questionnaire are missing from one or more non-significant person's records because they are unable or unwilling to provide the data
- all key questions are answered by the significant person(s) but other data are missing
- not every person aged 15 years or over residing in the household respondents but the significant person(s) provide answers to all key questions.

51 In the first two cases, the data provided are retained and the missing data are imputed by replacing each missing value with a value reported by another person (referred to as the donor).

52 For the third type of partial response, the data for the persons who did respond are retained, and data for each missing person are provided by imputing data values equivalent to those of a fully responding person (the donor).

53 Donor records are selected by finding fully responding persons with matching information on various characteristics (such as state, sex, age, labour force status and income) as the person with missing information. As far as possible, the imputed information is an appropriate proxy for the information that is missing. Depending on which values are to be imputed, donors are randomly chosen from the pool of individual records with complete information for the block of questions where the missing information occurs.

54 The final sample includes 5,441 households which had at least one imputed value in income or child care expenses. For 32.4% of these households only a single value was missing, and most of these were for income from superannuation, or interest and investments.

Final sample

55 The final sample on which estimates were based is composed of persons for which all necessary information is available. The information may have been wholly provided at the interview (fully-responding) or may have been completed through imputation for partially responding households. Of the selected dwellings, there were 18,298 in the scope of the survey, of which 14,569 (80%) were included as part of the final estimates.

56 Table

SIH FINAL SAMPLE: NUMBER OF HOUSEHOLDS, 2011-12

	CAPITAL CITY Households no.	Persons no.	BALANCE OF STATE Households no.	Persons no.	TOTAL Households no.	Persons no.
NSW	1 512	3 974	946	2 163	2 458	6 137
Vic.	1 389	3 503	1 127	2 603	2 516	6 106
Qld	995	2 515	984	2 405	1 979	4 920
SA	1 212	2 866	1 115	2 487	2 327	5 353
WA	1 060	2 585	1 239	3 057	2 299	5 642
Tas.	549	1 287	1 040	2 401	1 589	3 688
NT	462	1 158	70	165	532	1 323
ACT	869	2 165	-	-	869	2 165
Aust.	8 048	20 053	6 521	15 281	14 569	35 334

- nil or rounded to zero (including null cells)

Weighting

57 Weighting is the process of adjusting results from a sample survey to infer results for the total in scope population whether that be persons or households. To do this, a 'weight' is allocated to each sample unit e.g. a person or a household. The weight is a value which indicates how many population units are represented by the sample unit. The first step in calculating weights for each unit is to assign an initial weight, which is the inverse of the probability of being selected in the survey. For example, if the probability of a household being selected in the survey was 1 in 600, then the household would have an initial weight of 600 (that is, it represents 600 households).

58 An adjustment is then made to the initial weights to ensure that seasonal variation is appropriately represented in survey estimates. After this initial adjustment, the sum of the weights of households in each quarter is in proportion to the length of the quarter (which align across the financial year with pension indexation dates rather than calendar quarters).

59 The initial weights are then calibrated to align with independent estimates of the population of interest, referred to as 'benchmarks'. Weights calibrated against population benchmarks ensure that the survey estimates conform to the independently estimated distribution of the population rather than to the distribution within the sample itself.

60 In the 2011-12 SIH, as in 2007-08 and 2009-10, all persons in each household were assigned a weight. This differs from the 2005-06 SIH where children aged 0-14 years were not given separate weights, but household counts of the number of children were benchmarked to population totals.

61 The benchmarks used in the calibration of the final weights for the 2011-12 SIH were:

- number of persons -
 - by state or territory by age by sex
 - in five year age groups up to 80+ years for all states and territories (excluding NT)
 - in five year age groups up to 70+ years for the NT
 - by state or territory by labour force status ('Employed', 'Unemployed' and 'Not in the labour force': 'Employed' and 'Unemployed' combined for NT)
 - by state by capital city/balance of state (excluding NT and ACT which use only state)
- numbers of households -
 - by household composition (number of adults (1,2 or 3+) and whether or not the household contains children) (excluding NT which uses only number of adults of 1+).

62 The independent person and household benchmarks are based on demography estimates of numbers of persons and households in Australia. The benchmarks are adjusted to include persons and households residing in private dwellings only and to exclude persons living in very remote areas, and therefore do not, and are not intended to, match estimates of the Australian resident population published in other ABS publications.

Estimation

63 Estimates produced from the survey are usually in the form of averages (e.g. mean household net worth of couple households with dependent children), or counts (e.g. total number of households that own their dwelling). For counts of households, the estimate was obtained by summing the weights for the responding households in the required group (e.g. those owning their own dwelling). For counts of persons, the household weights were multiplied by the number of persons in the household before summing. The SIH collects data on the number of people, including children, in each household but separate records with income and most detailed data were only collected for people 15 years and older.

64 Estimates of mean net worth are obtained by multiplying the net worth of each household by the weight of the household, summing across all households and then dividing by the estimated number of households.

65 Average income values are obtained in two different ways, depending on whether mean gross household income or mean equivalised disposable household income is being derived. Estimates of mean gross household income are calculated on a household weighted basis. They are obtained by multiplying the gross income of each household by the weight of the household, summing across all households and then dividing by the estimated number of households. For example, the mean gross household income of couple households with dependent children is the weighted sum of the gross income of each such household divided by the estimated number of those households.

66 Estimates of mean equivalised disposable household income are calculated on a person weighted basis. They are obtained by multiplying the equivalised disposable income of each household by the number of people in the household (including children) and by the weight of the household, summing across all households and then dividing by the estimated number of people in the population group. For more information on differences between mean gross household income calculated on a household weighted basis and mean equivalised disposable household income calculated on a person weighted basis, see Appendix 3 in **Household Income and Income Distribution, Australia, 2011-12** (cat. no. 6523.0).

RELIABILITY OF ESTIMATES

67 The estimates provided in this publication are subject to two types of error, non-sampling and sampling error.

Non-sampling error

68 Non-sampling error can occur in any collection, whether the estimates are derived from a sample or from a complete collection such as a census. Sources of non-sampling error include non-response, errors in reporting by respondents or recording of answers by interviewers and errors in coding and processing the data.

69 Non-sampling errors are difficult to quantify in any collection. However, every effort is made to reduce non-sampling error to a minimum by careful design and testing of the questionnaire, training of interviewers and data entry staff and extensive editing and quality control procedures at all stages of data processing.

70 One of the main sources of non-sampling error is non-response by persons selected in the survey. Non-response occurs when people cannot or will not cooperate or cannot be contacted. Non-response can affect the reliability of results and can introduce a bias. The magnitude of any bias depends upon the level of non-response and the extent of the difference between the characteristics of those people who responded to the survey and those who did not.

71 The following methods were adopted to reduce the level and impact of non-response:

- Primary Approach Letters (PALs) were posted to selected SIH and HES households prior to enumeration
- document cards were provided to respondents to suggest having financial statements and similar documents handy at the time of interview to assist with accurate responses
- face-to-face interviews with respondents
- the use of interviewers who could speak languages other than English, where necessary
- Proxy Interviews conducted when consent is given, with a responsible person answering on behalf of a respondent incapable of doing so themselves
- follow-up of respondents if there was initially no response
- imputation of missing values
- ensuring that the weighted data is representative of the population (in terms of demographic characteristics) by aligning the estimates with population benchmarks.

Sampling error

72 The estimates are based on a sample of possible observations and are subject to sampling variability. The estimates may therefore differ from the figures that would have been produced if information had been collected for all households. A measure of the sampling error for a given estimate is provided by the standard error, which may be expressed as a percentage of the estimate (relative standard error). Further information on sampling error is provided in Appendix 2.

ACKNOWLEDGMENT

73 ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated: without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the **Census and Statistics Act 1905**.

SPECIAL DATA SERVICES

74 The ABS offers specialist consultancy services to assist clients with more complex statistical information needs. Clients may wish to have the unit record data analysed according to their own needs, or require tailored tables incorporating data items and populations as requested by them. Tables and other analytical outputs can be made available electronically or in printed form. However, as the level of detail or disaggregation increases with detailed requests, the number of contributors to data cells decreases. This may result in some requested information not being able to be released due to confidentiality or sampling variability constraints. All specialist consultancy services attract a service charge, and clients will be provided with a quote before information is supplied. For further information, contact ABS information consultants on 1300 135 070 from 9:00am to 4:30pm AEST Monday to Friday (International callers +61292684909).

UNIT RECORD FILE

75 A basic confidentialised unit record file (CURF) from the 2011-12 SIH will be released on CD-ROM in August 2013. A more detailed (expanded) SIH CURF will also be available through the ABS Remote Access Data Laboratory. All clients wishing to access the SIH 2011-12 basic and expanded CURFs should refer to the ABS Website <<https://www.abs.gov.au>> (see Services, ABS Microdata) and read the Microdata Entry Page, and other linked information, before downloading the appropriate Guide, Application and Undertaking forms and applying for access.

Australian universities

76 University clients should refer to the ABS web site <<https://www.abs.gov.au>> (see Services, Services for Universities). The SIH 2011-12 basic and expanded CURFs can be accessed by universities participating in the ABS/Universities Australia Agreement for research and teaching purposes.

Other clients

77 Other prospective CURF clients should contact the Microdata Access Strategies Section of the ABS at <microdata.access@abs.gov.au> or on (02) 6252 7714.

RELATED PUBLICATIONS

78 Users may wish to refer to the following related ABS products. All publications can be downloaded free of charge from the ABS website.

Household Income and Income Distribution, Australia, 2011-12 (cat. no. 6523.0)
Survey of Income and Housing, User Guide, Australia, 2011-12 (cat. no. 6553.0)
Microdata: Survey of Income and Housing - Australia, 2011-12 (cat. no. 6541.0.30.001)
Housing Occupancy and Costs, Australia, 2011-12 (cat. no. 4130.0)

79 Users may also wish to refer to the following non-ABS products which relate to wealth.

OECD (2013), **OECD Framework for Statistics on the Distribution of Household Income, Consumption and Wealth**, OECD Publishing.
<http://dx.doi.org/10.1787/9789264194830-en>
OECD (2013), **OECD Guidelines for Micro Statistics on Household Wealth**, OECD Publishing.
<http://dx.doi.org/10.1787/9789264194878-en>

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Australian Bureau of Statistics

6554.0 - Household Wealth and Wealth Distribution, Australia, 2011–12

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GLOSSARY

Accounts with financial institutions

Current balances of the accounts held with banks or any other financial institutions, e.g. credit unions, building societies, insurance companies, finance companies. Examples of types of accounts include: passbook, statement, cheque or term deposit accounts.

Assets

An entity of a financial or non-financial nature, owned by the household or its members, and from which economic benefits may be derived by holding or use over a period of time.

Balance of state

That part of each Australian state or territory not defined as capital city. Balance of state estimates for Northern Territory are regarded as too unreliable to publish separately since they exclude collection districts defined as very remote which account for about 23% of the NT population. All of the Australian Capital Territory is defined as capital city for this publication.

Bond

A bond is a certificate of ownership of a specified portion of a debt. May be issued by a government agency or private corporation to individuals or companies and usually bears a fixed interest rate of return on investment.

Capital city

Refers to Greater Capital City Statistical Areas (GCCSAs) as defined in the **Australian Statistical Geography Standard** (ASGS) (cat. no. 1270.55.001). For the Australian Capital Territory, the estimates relate predominantly to urban areas. All of the Australian Capital Territory is defined as capital city for this publication.

Children's assets

Any assets owned by children in the household that are not included in the value of the household contents. These assets can be financial (e.g. a child's bank accounts, assets held in trusts, bonds, debenture stock) or can be non-financial such as jewellery or property held in trust for the children.

Consumer Price Index (CPI)

A general measure of price inflation for the household sector in Australia. Specifically, it provides a measure of changes, over time, in the cost of a constant basket of goods and services acquired by the capital city households in Australia.

Contents of dwelling

This is a non-financial asset and comprises an estimated value of household contents. Examples include: clothing, jewellery, hobby collections, furniture, paintings and works of art, soft furnishings and electrical appliances other than fixtures such as stoves and built-in items.

Couple

See One family households.

Couple family with dependent children

See One family households.

Credit card debt

The amount owing on the respondent's latest credit card account statement (including any government, interest or

financial institution charges), irrespective of whether it was paid off by the due date. Includes amounts owing on specialised retail shopping cards as well as general credit cards such as Visa, Mastercard and store credit cards but excludes Visa and Mastercard debit cards.

Debenture

A formal acknowledgement of indebtedness by a company. Interest is paid by the company at specific intervals. A loan or deposit can be called a debenture if it is secured over company assets. Unlike shareholders, debenture holders have a creditor relationship with the company. Instead of dividends, debenture holders receive interest on their debentures which is accounted for by the company as an expense.

Deciles

Groupings that result from ranking all households or persons in the population in ascending order according to some characteristic such as their household income and then dividing the population into 10 equal groups, each comprising 10% of the estimated population.

Dependent children

All persons aged under 15 years; and persons aged 15-24 years who are full-time students, have a parent in the household and do not have a partner or child of their own in the household.

Disposable income

Gross income less income tax, the Medicare levy and the Medicare levy surcharge i.e. remaining income after taxes are deducted, which is available to support consumption and/or saving. Income tax, Medicare levy and the Medicare levy surcharge are imputed based on each person's income and other characteristics as reported in the survey. Disposable income is sometimes referred to as net income.

Dwelling

Defined as a suite of rooms contained within a building which are self-contained and intended for long-term residential use. To be self-contained the suite of rooms must possess cooking and bathing facilities as building fixtures. Examples of types of dwelling include: separate house; semi-detached, row or terrace house or townhouse; flat, unit, or apartment; and other dwelling, including caravan, cabin, houseboat, and house or flat attached to a shop.

Employed

Persons aged 15 years and over who, during the week before the interview:

- worked one hour or more for pay, profit, commission or payment in kind in a job or business, or on a farm (includes employees, employers and own account workers)
- worked one hour or more, without pay, in a family business or on a family farm, or
- had a job, business or farm but was not at work because of holidays, sickness or other reason.

Employee

An employed person who, for most of his/her working hours:

- works for a public or private employer and receives remuneration in wages or salary, or is paid a retainer fee by his/ her employer and works on a commission basis, or works for an employer for tips, piece-rates or payment in kind, or
- operates his or her own incorporated business with or without employees.

Employer

A person who operates his or her own unincorporated business or engages independently in a profession or trade, and hires one or more employees.

Equivalisation

Can be applied to disposable household income and net worth to create equivalised disposable household income and equivalised household net worth. Adjustments are made using an equivalence scale. Equivalence measures are used in some analyses to enable comparison of the relative economic wellbeing of households of different size and composition. For a lone person household, the equivalised value is equal to the original value, or equal to zero if the original value was negative. For a household comprising more than one person, it is an indicator of the level that would be needed by a lone person household to enjoy the same level of economic wellbeing as the household in question.

For further information on the process of equivalisation, see Appendix 3 in **Household Income and Income Distribution, Australia, 2011-12** (cat. no. 6523.0).

Family

Two or more people, one of whom is at least 15 years of age, who are related by blood, marriage (registered or de facto), adoption, step or fostering and who usually live in the same household. A separate family is formed for each married couple, or for each set of parent-child relationships where only one parent is present.

Family composition of household

Classifies households into three broad groupings based on the number of families present (one family, multiple family and non-family). One family households are further disaggregated according to the type of family (such as couple family or one parent family) and according to whether or not dependent children are present. Non-family households are disaggregated into lone person households and group households.

Financial assets

An asset whose value arises not from its physical existence (as would a building, piece of land, or capital equipment) but from a contractual relationship. Financial assets are mostly financial claims (with the exception of shares and value of own unincorporated business). Financial claims entitle the owner to receive a payment, or a series of payments, from an institutional unit to which the owner has provided funds. Examples include accounts held with financial institutions (including offset accounts), ownership of an incorporated business, shares, debentures and bonds, trusts, superannuation funds, and loans to other persons.

Full-time student

A person 15 years or over who is classified as a full-time student by the institution they attend, or considers himself/herself to be a full-time student. Full-time study does not preclude employment.

Government pensions and allowances

Income support payments from government to persons under social security and related government programs. Included are pensions and allowances received by aged, disabled, unemployed and sick persons, families and children, veterans or their survivors, and study allowances for students. All overseas pensions and benefits are included here, although some may not be paid by overseas governments. Family Tax Benefit, Baby Bonus and Child Disability Assistance Payment paid to recipients of Carer Allowance are also included in government pensions and allowances.

Gross income

Income from all sources, whether monetary or in kind, before income tax, the Medicare levy and the Medicare levy surcharge are deducted.

Group household

See Non-family households.

Household

A person living alone or a group of related or unrelated people who usually live in the same private dwelling.

Income

Income consists of all current receipts, whether monetary or in kind, that are received by the household or by individual members of the household, and which are available for, or intended to support, current consumption.

Income includes receipts from:

- wages and salaries and other receipts from employment (whether from an employer or own incorporated enterprise), including income provided as part of salary sacrificed and/or salary package arrangements
- profit/loss from own unincorporated business (including partnerships)
- net investment income (interest, rent, dividends, royalties)
- government pensions and allowances
- private transfers (e.g. superannuation, workers' compensation, income from annuities, child support, and financial support received from family members not living in the same household).

Gross income is the sum of the income from all these sources before income tax, the Medicare levy and the Medicare

levy surcharge are deducted. Other measures of income are Disposable income and Equivalised disposable household income.

Note that child support and other transfers from other households are not deducted from the incomes of the households making the transfers.

Incorporated business

An incorporated business is a company that has a registered business name with the **Australian Securities and Investment Commission (ASIC)** and a legal status which is separate to that of the individual owners of the business.

Investment loan

A loan taken out for the purpose of financing investment, excluding loans for business purposes and rental property.

Labour force status

Classifies all people aged 15 years and over according to whether they were employed, unemployed or not in the labour force.

Landlord type

For renters, the type of entity to whom rent is paid or with whom the tenure contract or arrangement is made. Renters are classified to one of the following categories:

- state/territory housing authority-where the household pays rent to a state or territory housing authority or trust
- private landlords-where the household pays rent to a real estate agent or to another person not in the same household
- other-where the household pays rent to the owner/manager of a caravan park, an employer (including a government authority), a housing cooperative, a community or church group, or any other body not included elsewhere.

Liability

A liability is an obligation which requires one unit (the debtor) to make a payment or a series of payments to the other unit (the creditor) in certain circumstances specified in a contract between them.

Loan

A form of liability that is created when creditors lend funds directly to debtors. Examples include an overdraft from a bank, money lent by a financial institution with a mortgage over a property as collateral, and personal loans.

Loans for owner occupied dwelling

Principal outstanding on loans used to purchase, build, alter, or make additions to the selected dwelling. Includes money borrowed for a deposit on the selected dwelling, and bridging finance taken out until such time as a loan or mortgage is obtained or the dwelling is bought outright. Where only a proportion of a loan is used for the owner occupied dwelling, only that proportion of the principal outstanding is included.

Lone person household

See Non-family households.

Main source of income

The income source from which the most positive income is received. If total income is nil or negative the main source is undefined. As there are several possible sources, the main source may account for less than 50% of gross income.

Mean income

The total income received by a group of units divided by the number of units in the group.

Mean net worth

The total or aggregate net worth of a group of units, divided by the number of units in the group. In this publication, the most common unit is the household.

Median income

That level of income which divides the units in a group into two equal parts, one half having incomes above the median and the other half having incomes below the median.

Median net worth

That level of net worth which divides the units in a group into two equal parts, one half having net worth above the median and the other half having net worth below the median.

Medicare levy

Medicare is Australia's universal health care system. The Medicare levy is a specific tax, based on individual income, intended to assist in the funding of this system.

Medicare levy surcharge

The Medicare levy surcharge is a levy, or an additional tax, on Australian taxpayers who do not have an appropriate level of private hospital insurance and who are earning more than the specified income threshold.

Multiple family household

A household containing two or more families. Unrelated individuals may also be present.

Negative income

Income may be negative when a loss accrues to a household as an owner or partner in unincorporated businesses, rental properties or other investment income. Losses occur when operating expenses and depreciation are greater than gross receipts.

Negative net worth

Net worth may be negative when household liabilities exceed household assets.

Net worth

Net worth is the value of a household's assets less the value of its liabilities. Net worth may be negative when household liabilities exceed household assets. For further information refer to the Explanatory Notes.

Non-dependent children

All people aged 15 years and over who:

- do not have a spouse or offspring of their own in the household
- have a parent in the household
- are not full-time students aged 15-24 years.

Non-family household

A household that consists of unrelated persons only. Non-family households are classified to one of the following categories:

- group household - a household consisting of two or more unrelated persons where all persons are aged 15 years and over. There are no reported couple relationships, parent-child relationships or other blood relationships in these households.
- lone person household - a household consisting of a person living alone.

Non-financial assets

Non-financial assets are all assets other than financial assets. Examples include residential and non-residential property, household contents, and vehicles.

Not in the labour force

Persons not in the categories employed or unemployed as defined.

Offset account

An account with a financial institution that is linked to a home loan. The balance in offset accounts reduces the interest charged on the loan.

One family household

One family households are classified to one of the following categories:

- couple only - two persons in a registered or de facto marriage, who usually live in the same household
- couple family with dependent children - a household consisting of a couple with at least one dependent child. The household may also include non-dependent children, other relatives and unrelated individuals
- one parent family with dependent children - a household comprising a lone parent with at least one dependent child. The household may also include non-dependent children, other relatives and unrelated individuals
- other one family households - a household comprising:
 - one couple with their non-dependent children only
 - one couple, with or without non-dependent children, plus other relatives
 - one couple, with or without non-dependent children or other relatives, plus unrelated individuals
 - a lone parent with his/her non-dependent children, with or without other relatives and unrelated individuals
 - two or more related individuals where the relationship is not a couple relationship or a parent-child relationship (e.g. two brothers).

One parent family with dependent children

See One family households.

Other income

Income other than wages and salaries, own unincorporated business income and government pensions and allowances. This includes income received as a result of ownership of financial assets (interest, dividends), and of non-financial assets (rent, royalties) and other current receipts from sources such as superannuation, child support, workers' compensation and scholarships. Income from rent is net of operating expenses and depreciation and may be negative when these are greater than gross receipts.

Other landlord type

Where the household pays rent to the owner/manager of a caravan park, an employer (including a government authority), a housing cooperative, a community or church group, or any other body not included elsewhere.

Other one family household

See One family households.

Other property loans

Principal outstanding on loans used to purchase, build, alter, or make additions to property rented out, loans taken out by people in rental properties who are buying or building a home somewhere else, and loans taken out for alterations and additions to other property. Where only a proportion of a loan is used for the property, only that proportion of the principal outstanding is included.

Other tenure type

A household which is not an owner (with or without a mortgage), or a renter. Includes rent free.

Own unincorporated business income

The profit/loss that accrues to persons as owners of, or partners in, unincorporated businesses. Profit/loss consists of the value of gross output of the business after the deduction of operating expenses (including depreciation). Losses occur when operating expenses are greater than gross receipts and are treated as negative income.

Owner (of dwelling)

A household in which at least one member owns the dwelling in which the household members usually reside. Owners are divided into two categories - owners without a mortgage and owners with a mortgage. If there is any outstanding mortgage or loan secured against the dwelling the household is an owner with a mortgage. If there is no mortgage or loan secured against the dwelling the household is an owner without a mortgage.

Percentile

When all households or people in the population are ranked from the lowest to the highest on the basis of some characteristic such as their household income or net worth, they can then be divided into equal sized groups. Division into 100 equal groups gives percentiles. The highest value of the characteristic in the tenth percentile is denoted P10. The median or the top of the 50th percentile is denoted P50. P20, P80 and P90 denote the highest values in the 20th, 80th and 90th percentiles. Ratios of values at the top of selected percentiles, such as P90/P10, are often called percentile ratios. See Appendix 1 for information on the use of percentile ratios in analysing distributions.

Percentile ratios

Percentile ratios summarise the relative distance between two points in a distribution. To illustrate the full spread of the income distribution, the percentile ratio needs to refer to points near the extremes of the distribution, for example, the P90/P10 ratio. The P80/P20 ratio better illustrates the magnitude of the range within which the income or net worth of the majority of households falls. The P80/P50 and P50/P20 ratios focus on comparing the ends of the income or wealth distribution with the midpoint.

Private income

Current receipts from private organisations, including wages and salaries, income from own business, superannuation, workers' compensation, income from annuities, interest, dividends, royalties, income from rental properties, scholarships and child support.

Private trusts

Trusts other than public unit trusts. These include private unit trusts, fixed unit trusts, family trusts, charitable trusts and testamentary trusts.

Property

All residential and non-residential properties owned by persons in the household, excluding properties owned by the respondent's business.

Public unit trusts

A trust which issues units to the general public within Australia for the purpose of investing the pooled monies. A public unit trust must have registered a prospectus with the **Australian Securities and Investments Commission** and be governed by a trust deed between its management company and a trustee company. The units may or may not be listed on the Australian Stock Exchange. Includes property trusts, equity trusts, mortgage trusts, cash management trusts and public trading trusts.

Quintiles

Groupings that result from ranking all households or persons in the population in ascending order according to some characteristic such as their household net worth and then dividing the population into five equal groups, each comprising 20% of the estimated population.

Ratio of values at the top of selected percentiles

See Percentiles

Reference person

The reference person for each household is chosen by applying, to all household members aged 15 years and over, the selection criteria below, in the order listed, until a single appropriate reference person is identified:

- the person with the highest tenure when ranked as follows: owner without a mortgage, owner with a mortgage, renter, other tenure
- one of the partners in a registered or de facto marriage, with dependent children
- one of the partners in a registered or de facto marriage, without dependent children
- a lone parent with dependent children
- the person with the highest income
- the eldest person.

Relative standard error (RSE)

The standard error expressed as a percentage of the estimate for which it was calculated. It is a measure which is independent of both the size of the sample and the unit of measurement, and as a result can be used to compare the

reliability of different estimates. The smaller an estimate's RSE, the more likely it is that the estimate is a good proxy for that which would have been obtained if the whole population had been surveyed. For further information see Appendix 2.

Renter

A household which pays rent to reside in the dwelling. See further classification by Landlord type.

Salary sacrifice

An arrangement under which an employee agrees contractually to forgo part of their remuneration, which the employee would otherwise receive as wages and salaries, in return for the employer or someone associated with the employer providing benefits of a similar value.

Selected dwelling

The private dwelling selected in the sample for the survey.

Shares

A share is a contract between the issuing company and the owner of the share which gives the latter an interest in the management of the corporation and the right to participate in profits. In this publication the "value of shares" excludes the value of shares held by individuals in their own incorporated business. Such shares are included in "value of own incorporated business".

Significant person

Significant persons are defined as follows:

- all members of lone person or couple only households
- all parents in a couple with children household or a single parent household
- the person aged 15 years or over in a group household where one person is aged 15 years or over and the other members of the household are less than 15 years old
- 50% of the persons aged 15 years and over in all other households.

Standard error

A measure of the likely difference between estimates obtained in a sample survey and estimates which would have been obtained if the whole population had been surveyed. The magnitude of the standard error associated with any survey is a function of sample design, sample size and population variability. For further information see Appendix 2.

Study loans

Study loans are debts incurred under Higher Education Loans Programmes (HELP), the government education payment scheme, and other government higher education schemes. They also include loans incurred prior to 2005 under the Higher Education Contribution Scheme (HECS) and the Student Financial Supplement Scheme (SFSS). A feature of these loans is that the obligation to repay them only exists when the student's income exceeds a threshold. The debt is also extinguished upon death.

Superannuation

A long-term savings arrangement which operates primarily to provide income for retirement.

Tenure type

The nature of a household's legal right to occupy the dwelling in which the household members usually reside. Tenure is determined according to whether the household owns the dwelling outright, owns the dwelling but has a mortgage or loan secured against it, is paying rent to live in the dwelling, or has some other arrangement to occupy the dwelling.

Trusts

Any type of managed fund which involves the pooling of investors' money in order for a trustee or professional manager to administer that fund. See also Public unit trusts and Private trusts.

Unemployed

Persons aged 15 years and over who were not employed during the week before the interview and had actively looked for full-time or part-time work at any time in the four weeks before the interview and:

- were available for work in the week before the interview, or
- were waiting to start a new job within four weeks from the interview and would have started in the week before the interview if the job had been available then.

Unincorporated business

A business in which the owner(s) and the business are the same legal entity, so that, for example, the owner(s) are personally liable for any business debts that are incurred.

Value of dwelling

The estimated value of the dwelling and its land, as estimated and reported by the respondent. The data are only collected for owners.

Vehicles

Vehicles include registered and unregistered vehicles used for private purposes including cars, trucks, buses, motorcycles, caravans, aircraft, boats and bicycles.

Vehicle loans

Principal outstanding on loans used to purchase motor vehicles. Where only a proportion of a loan is used to purchase a vehicle, only that proportion of the principal outstanding is included.

Wages and salaries

An employee's total remuneration, whether monetary or in kind, received as a return to labour from an employer or from a person's own incorporated business. It comprises wages and salaries, bonuses, amounts salary sacrificed, non-cash benefits such as the use of motor vehicles and subsidised housing, and termination payments.

Wealth

See Net worth.

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ABBREVIATIONS

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
APRA	Australian Prudential Regulation Authority
ASNA	Australian System of National Accounts
Aust.	Australia
CD	collection district
CPI	Consumer Price Index
CURF	confidentialised unit record file
excl.	excluding
ERP	estimated resident population
HES	Household Expenditure Survey
nec	not elsewhere classified
no.	number
NPISH	non-profit institutions serving households
NSW	New South Wales
NT	Northern Territory
Qld	Queensland
RBA	Reserve Bank of Australia
RSE	relative standard error
SA	South Australia
SE	standard error
SIH	Survey of Income and Housing
Tas.	Tasmania
Vic.	Victoria
WA	Western Australia

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APPENDIX 1 ANALYSING WEALTH DISTRIBUTION

INTRODUCTION

There are several ways to illustrate aspects of the distribution of wealth and to measure the extent of inequality. In this publication, four main types of indicators used are: means and medians, frequency distributions, percentile ratios and net worth shares. This appendix describes how these indicators are derived.

MEAN AND MEDIAN

Mean household net worth (total net worth divided by the number of households) and median household net worth (the midpoint when all households are ranked in ascending order of net worth) are simple indicators that can be used to show differences between subgroups of the population. Many tables in this publication include mean and median household net worth data.

The publication also includes information on mean and median household income. In most tables the income measure used is gross household income, and the means and medians are calculated with respect to the number of households. However, when the income measure used is equivalised disposable household income, mean and median income are calculated with respect to the number of persons. This enables people in large households to have the same contribution to the mean/median as people living alone, and is possible because equivalised disposable household income is an indicator of the economic resources available to each individual in a household.

The method for calculating means is described under 'Estimation' in the Explanatory Notes.

FREQUENCY DISTRIBUTION

A frequency distribution can be used to illustrate the location and spread of net worth within a population. It groups the population into classes by net worth and gives the number or proportion of households in each net worth range. A graph of the frequency distribution is a good way to portray the essence of a wealth distribution. Graph S1 in the Summary of Findings shows the proportion of households within \$100,000 net worth ranges.

Frequency distributions can provide considerable detail about variations in the population being described, but it is difficult to describe the differences between two frequency distributions. They are therefore often accompanied by other summary statistics, such as the mean and median. Taken together, the mean and median can provide an indication of the shape of the frequency distribution. As can be seen in Graph S1 in the Summary of Findings, the distribution of net worth tends to be asymmetrical, with a small number of households having relatively high net worth and a larger number of households having relatively low net worth. The greater the asymmetry, the greater will be the difference between the mean and the median.

QUANTILE MEASURES

When households (or any other units) are ranked from the lowest to the highest on the basis of some characteristic such as their household wealth, they can then be divided into equally sized groups. The generic term for such groups is quantiles.

Quintiles, deciles and percentiles

When the population is divided into five equally sized groups, the quantiles are called quintiles. If there are 10 groups, they are deciles and division into 100 groups gives percentiles. Thus the first quintile will comprise the first two deciles and the first 20 percentiles.

This publication presents data classified into net worth quintiles and gross income quintiles. These quintiles each comprise the same number of households. In some tables, data presented are classified into equivalised disposable household income quintiles or equivalised disposable household net worth quintiles. Because equivalised disposable

household income and equivalised disposable household net worth can be viewed as an indicator of the economic resources available to individuals in a household, these quintiles each comprise the same number of persons.

When data are presented by equivalised disposable household income quintiles they are supplemented by data relating to the 2nd and 3rd deciles. These deciles are included to enable quintile style analysis to be carried out without undue impact from very low incomes which may not accurately reflect levels of economic wellbeing (see paragraphs 30 and 31 in the Explanatory Notes).

Upper values and medians

In some analyses, the statistic of interest is the boundary between quantiles. This is usually expressed in terms of the upper value of a particular percentile. For example, the upper value of the first quintile is also the upper value of the 20th percentile and is described as P20. The upper value of the ninth decile is P90. The median of a whole population is P50, the median of the 3rd quintile is also P50, the median of the first quintile is P10, etc.

Percentile ratios

Percentile ratios summarise the relative distance between two points on a distribution. To illustrate the full spread of a distribution, the percentile ratio needs to refer to points near the extremes of the distribution, for example, the P90/P10 ratio. The P80/P20 ratio better illustrates the magnitude of the range within which the net worth of the majority of the population fall. The P80/P50 and P20/P50 ratios focus on comparing the ends of the distribution with the midpoint (the median).

Net worth shares

Net worth shares can be calculated and compared for each quintile (or any other subgrouping) of a population. The aggregate net worth of the units in each quintile is divided by the overall aggregate net worth of the entire population to derive net worth shares.

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APPENDIX 2 SAMPLING VARIABILITY

INTRODUCTION

The estimates in this publication are based on information obtained from the occupants of a sample of dwellings. Therefore, the estimates are subject to sampling variability and may differ from the figures that would have been produced if information had been collected for all dwellings.

One measure of the likely uncertainty is given by the standard error (SE), which indicates the extent to which a sample might have varied compared to the population parameter because only a sample of dwellings was included. There are about two chances in three that the sample estimate will differ by less than one SE from the population parameter that would have been obtained if all dwellings had been enumerated, and about 19 chances in 20 that the difference will be less than two SEs. Another measure of the likely difference is the relative standard error (RSE), which is obtained by expressing the SE as a percentage of the estimate.

For estimates of population sizes, the size of the SE generally increases with the level of the estimate, so that the larger the estimate the larger the SE. However, the larger the sampling estimate the smaller the SE becomes in percentage terms (the RSE). Thus, larger sample estimates will be relatively more reliable than smaller estimates.

Estimates in this publication with RSEs of 25% or less are considered reliable for many purposes. Estimates with RSEs greater than 25% but less than or equal to 50% are annotated by an asterisk to indicate they are subject to high SEs and should be used with caution. Estimates with RSEs greater than 50%, annotated by a double asterisk, are considered too unreliable for general use and should only be used to aggregate with other estimates to provide derived estimates with RSEs of less than 50%.

RSEs for all tables are provided in the data cubes for this publication, which are available at the ABS website <www.abs.gov.au>. These can be accessed via the download tab for this publication. The RSEs have been derived using the delete-a-group jackknife method. If needed, SEs can be calculated using the estimates and RSEs.

COMPARATIVE ESTIMATES

Proportions and percentages

Proportions and percentages, which are formed from the ratio of two estimates, are also subject to sampling errors. The size of the error depends on the accuracy of both the numerator and the denominator. For proportions where the denominator is an estimate of the number of households in a grouping and the numerator is the number of households in a sub-group of the denominator group, the formula for an approximate RSE is given by:

$$\text{RSE\%}\left(\frac{x}{y}\right) = \sqrt{[\text{RSE\%}(x)]^2 + [\text{RSE\%}(y)]^2}$$

Differences between estimates

The difference between survey estimates is also subject to sampling variability. An approximate SE of the difference between two estimates ($x-y$) may be calculated by the formula:

$$\text{SE}(x-y) = \sqrt{[\text{SE}(x)]^2 + [\text{SE}(y)]^2}$$

This approximation can generally be used whenever the estimates come from different samples, such as two estimates from different years or two estimates for two non-intersecting subpopulations in the one year. If the estimates come from two populations, one of which is a subpopulation of the other, the standard error is likely to be lower than that derived from this approximation.

SIGNIFICANCE TESTING

For comparing estimates between surveys, or between populations within a survey, it is useful to determine whether differences are 'real' differences between the corresponding population characteristics or simply the result of sampling variability between the survey samples. One way to examine this is to determine whether the difference between the estimates is statistically significant. This is done by calculating the standard error of the difference between two estimates (x and y), using the formula above, and using that to calculate the test statistic using the formula below:

$$\frac{|x-y|}{SE(x-y)}$$

If the value of this test statistic is greater than 1.96 then there is good evidence of a statistically significant difference between the two populations with respect to that characteristic. Otherwise, it cannot be stated with confidence that there is a real difference between the population estimates.

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APPENDIX 3 A NEW WEALTH FRAMEWORK

A NEW WEALTH FRAMEWORK

In 2013 the Organisation for Economic Co-operation and Development (OECD) released the first set of internationally agreed guidelines for producing micro statistics on household wealth, **Guidelines for Micro Statistics on Household Wealth (OECD, 2013)**. These guidelines were produced by an ABS led OECD Expert Group on Micro Statistics on Household Income, Consumption and Wealth and fill an important gap in the existing international guidance on measuring the wealth dimension of people's economic well-being. They address the common conceptual, definitional and practical problems that countries face in producing household wealth statistics, and help improve the comparability of the currently available country data. They are also needed to facilitate the integration of micro statistics on household wealth with those relating to the other dimensions of economic well-being, i.e. income and consumption.

The OECD Expert Group on Micro Statistics on Household Income, Consumption and Wealth undertook two complementary tasks at the same time. The first was the preparation of the wealth guidelines; the second was the preparation of the companion report, **Framework for Statistics on the Distribution of Household Income, Consumption and Wealth (OECD, 2013)**, which presents the first internationally agreed comprehensive and integrated framework for the collection, analysis and dissemination of micro statistics on the different aspects of household economic well-being. The OECD Guidelines for Micro Statistics on Household Wealth are fully consistent with the Framework for Statistics on the Distribution of Household Income, Consumption and Wealth.

The OECD wealth guidelines complement the broad macro economy perspective articulated in the System of National Accounts (SNA). Many of the concepts in the OECD wealth guidelines and the SNA are the same, however some differences exist. The guidelines for micro data support the distributional analysis of economic well-being, and therefore include consumer durables as assets yielding services to their own households. These assets are particularly important in the analysis of the wealth of poorer households and for distributional information. On the other hand, the micro guidelines do not include some of the concepts included in the macro data that are of less relevance from a household perspective. The relationship between the OECD wealth guidelines and the SNA is described in detail in the OECD wealth guidelines, so that data prepared under the two frameworks can be analysed together in a meaningful way.

In this publication a change in the asset classification has been implemented to improve alignment with the new OECD wealth guidelines. The change impacts the presentation of net unincorporated business, this asset category is now classified as a financial asset, where it was previously classified as a non-financial asset. In previous publications the value of silent partnerships was included in net unincorporated businesses. With the adoption of the new standards in this publication, silent partnerships is now classified separately from unincorporated businesses and is included in shares and other equity as a financial asset.

Overall, net worth is not impacted by this classification change. Table A1 presents the mean values of assets and liabilities on the classification used in previous publications. It can be seen from this table that unincorporated businesses including silent partnerships has a mean value of \$24,542 in 2011-12. Under the new classification this amount is now included as a financial asset, with \$20,463 shown against unincorporated business and \$4,079 against silent partnerships included in the value of shares. Table A1 can be used to compare the mean values of assets and liabilities in 2011-12 to their value in previous publications.

Table A2 presents the mean values of assets and liabilities on the new classification basis for 2003-04, 2005-06, 2009-10 and 2011-12. This table can be used to compare assets and liabilities over time under the new classification.

A1. Household assets and liabilities, Former wealth classification

	2011-12 \$
	MEAN VALUES
ASSETS	
Financial assets	
Value of accounts held with financial institutions	36 956

Value of shares (excl. own incorporated business)	18 160
Trusts	
Value of public unit trusts	3 072
Value of private trusts	23 851
Total trusts	26 923
Value of own incorporated business (net of liabilities)	27 595
Superannuation	
Balance of accounts with government superannuation funds	34 913
Balance of accounts with non-government superannuation funds	97 406
Total superannuation	132 318
Total financial assets(a)	247 686
Non-financial assets	
Property assets	
Value of owner occupied dwelling	369 875
Value of other property	129 123
Total property assets	498 998
Value of own unincorporated business (net of liabilities) (incl. silent partnerships)	24 885
Value of contents of dwelling	62 588
Value of vehicles	21 192
Value of assets nec	2 882
Total non-financial assets	610 545
Total assets	858 230
LIABILITIES	
Property loans	
Principal outstanding on loans for owner occupied dwelling	74 741
Principal outstanding on other property loans	42 122
Total property loans	116 862
Other liabilities	
Debt outstanding on study loans	2 423
Amount owing on credit cards	2 726
Principal outstanding on loans for vehicle purchases (excl. business loans)	2 734
Principal outstanding on investment loans (excl. business and rental property loans)	4 228
Principal outstanding on loans for other purposes (excl. business and investment loans)	1 118
Total liabilities	130 092
NET WORTH OF HOUSEHOLD	728 139

(a) Includes the value of other financial investments, debentures and bonds, children's assets, loans to persons not in the same household, and offset accounts

A2. Household assets and liabilities(a), New wealth classification

	2003-04 \$	2005-06 \$	2009-10 \$	2011-12 \$
MEAN VALUES				
ASSETS				
Financial assets				
Value of accounts held with financial institutions(b)	21 115	24 811	32 908	36 956
Value of shares (excl. own incorporated business)	18 221	22 739	22 314	18 160
Trusts				
Value of public unit trusts	-	-	3 734	3 072
Value of private trusts	-	-	17 832	23 851
Total trusts	9 158	10 032	21 565	26 923
Value of own incorporated business (net of liabilities)	22 836	45 238	39 499	27 595
Value of own unincorporated business (net of liabilities)	15 571	14 339	21 547	20 622
Superannuation				
Balance of accounts with government superannuation funds	16 994	19 490	26 781	34 913
Balance of accounts with non-government superannuation funds	46 467	65 029	89 101	97 406
Total superannuation	63 462	84 519	115 882	132 318
Total financial assets(c)	152 072	207 382	256 260	272 571
Non-financial assets				

Property assets				
Value of owner occupied dwelling	249 032	286 056	364 895	369 875
Value of other property	70 799	90 663	136 364	129 123
Total property assets	319 830	376 719	501 260	498 998
Value of contents of dwelling	47 353	50 936	60 758	62 588
Value of vehicles	17 220	19 406	20 454	21 192
Value of assets nec	586	886	645	2 882
Total non-financial assets	384 988	447 946	583 116	585 660
Total assets	537 060	655 328	839 376	858 230
LIABILITIES				
Property loans				
Principal outstanding on loans for owner occupied dwelling	40 013	49 932	68 354	74 741
Principal outstanding on other property loans	19 862	29 188	36 635	42 122
Total property loans	59 875	79 120	104 989	116 863
Other liabilities				
Debt outstanding on study loans	1 205	1 472	2 004	2 423
Amount owing on credit cards	1 863	2 164	2 640	2 726
Principal outstanding on loans for vehicle purchases (excl. business loans)	2 679	2 842	2 282	2 734
Principal outstanding on investment loans (excl. business and rental property loans)	2 363	5 124	6 880	4 228
Principal outstanding on loans for other purposes (excl. business and investment loans)	1 450	1 747	1 021	1 118
Total liabilities	69 434	92 470	119 816	130 092
NET WORTH OF HOUSEHOLD	467 626	562 859	719 561	728 139

- nil or rounded to zero (including null cells)

(a) Wealth values are not adjusted for inflation

(b) Prior to 2011-12, this estimate may have included some of the value of offset accounts

(c) Includes the value of other financial investments, debentures and bonds, children's assets, loans to persons not in the same household, offset accounts, and silent partnerships. The value of offset accounts was collected separately from other financial accounts for the first time in 2011-12

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APPENDIX 4 COMPARISON OF WEALTH BETWEEN SIH AND THE AUSTRALIAN SYSTEM OF NATIONAL ACCOUNTS

INTRODUCTION

This publication contains estimates of the wealth of Australian households compiled from data collected in the Survey of Income and Housing (SIH). The SIH estimates of wealth are compiled from information collected from individual households, and are used to analyse the distribution of household wealth across the population and to compare levels of wealth between various population subgroups. These analyses support the development, implementation and evaluation of social and economic policies, particularly for potentially disadvantaged groups such as pensioners, one-parent families and the unemployed.

The Australian System of National Accounts (ASNA) also provides estimates of wealth for the household sector as a whole. The ASNA estimates of income are compiled from many sources, most of which do not provide information for different population subgroups within the household sector. The ASNA is designed to provide a systematic summary of economic activity of the Australian economy and to present a statistical picture of the structure of the economy and the detailed processes that make up domestic production and its distribution. Within the national accounting framework, the data show how the household sector relates to the corporate and government sectors in Australia and enables comparison with the rest of the world.

As the SIH and ASNA estimates of household wealth have been developed for different purposes, there are a number of differences in the resulting estimates of wealth. This appendix compares wealth data from the two collections and describes and quantifies some of the main scope, definitional and methodological differences between them.

Data used in comparisons

Wealth data from the SIH and ASNA are presented for the years 2003-04, 2005-06, 2009-10, and 2011-12 (Tables A3 and A4).

Comprehensive information about the assets and liabilities was collected from Australian Households in the 2003-04, 2005-06, 2009-10, and 2011-12 SIH. The SIH is conducted throughout the financial year and respondents are asked to report the value of their assets and liabilities at the time they are surveyed. Therefore the wealth estimates in SIH are assumed to relate to the average level of household net worth during that year.

The ASNA estimates of wealth are compiled quarterly and annually using mostly government administrative data and ABS survey data. Details are available in Australian National Accounts: Concepts, Sources and Methods (cat. no. 5216.0). The ASNA estimates of wealth, in this appendix, are those underlying the household balance sheet presented as Table 51 in Australian System of National Accounts, 2011-12 (cat. no. 5204.0), with the memorandum item for consumer durables taken from Table 16 of that publication. Balance sheet data are presented with respect to 30 June of each year, and therefore to improve comparability with the SIH estimates, ASNA data presented in this appendix have been averaged. For example, estimates for 2011-12 are the average of data for 30 June 2011 and 30 June 2012.

A3. SIH ESTIMATES OF HOUSEHOLD NET WORTH

	2003-04 \$b	2005-06 \$b	2009-10 \$b	2011-12 \$b
ASSETS				
Non-financial assets				
Value of owner occupied dwelling	1 927	2 267	3 065	3 192
Value of other residential property	442	579	842	895
Value of non-residential property	106	140	*303	219
Value of contents of dwelling	366	404	510	540
Value of vehicles	133	154	172	183
Total non-financial assets(a)	2 978	3 551	4 387	5 055
Financial assets				
Values of accounts held with financial institutions	163	197	276	319
Value of offset accounts	-	-	-	35
Value of shares (excl. own incorporated business)	141	180	187	157

Value of own incorporated business (net of liabilities)	177	359	332	238
Value of own unincorporated business (net of liabilities)	121	114	181	178
Value of silent partnerships	-	-	10	37
Value of trusts				
Public unit trusts	-	-	31	27
Private trusts	-	-	150	206
Total trusts	71	80	181	232
Balance of accounts with superannuation funds	491	670	973	1 142
Values of debentures and bonds	7	7	4	*2
Value of loans to persons not in the same household	4	*7	4	6
Total financial assets(b)	1 176	1 644	2 152	2 352
Total assets	4 155	5 194	7 050	7 407
LIABILITIES				
Property loans				
Principal outstanding on loans for owner occupied dwelling	310	396	574	645
Principal outstanding on other property loans	154	231	308	364
Other liabilities				
Debt outstanding on study loans	9	12	17	21
Amount owing on credit cards	14	17	22	24
Principal outstanding on loans for vehicle purchases (excl. business and investment loans)	21	23	19	24
Principal outstanding on investment loans (excl. business and rental property loans)	18	41	58	37
Principal outstanding on loans for other purposes (excl. business and investment loans)	11	14	9	10
Total liabilities	537	733	761	1 123
NET WORTH	3 618	4 461	6 043	6 284

* estimate has a relative standard error of 25% to 50% and should be used with caution

- nil or rounded to zero (including null cells)

(a) Includes non-financial assets nec

(b) Includes children's assets and other financial investments

A4. ASNA HOUSEHOLD BALANCE SHEET(a)

	2003-04 \$b	2005-06 \$b	2009-10 \$b	2011-12 \$b
Non-financial assets				
Dwellings	901	1 075	1 392	1 511
Ownership transfer costs	100	124	148	157
Non-dwelling construction	140	167	219	238
Machinery and equipment	80	89	109	112
Cultivated biological resources	18	19	22	24
Intellectual property products	4	4	6	6
Inventories	21	23	26	30
Land	1 769	2 112	2 757	2 920
Total non-financial assets(b)	3 034	3 614	4 679	4 999
Financial assets				
Currency and deposits	315	373	595	697
Securities other than shares	12	14	8	7
Loans and placements	6	7	1	1
Shares and other equity	460	617	606	551
Insurance technical reserves	774	1 054	1 446	1 726
Other accounts receivable	67	64	76	91
Total financial assets	1 633	2 129	2 730	3 072
Total assets	4 667	5 743	7 409	8 071
Liabilities				
Loans and placements	723	940	1 351	1 537
Securities other than shares	12	16	30	27
Other accounts payable	33	41	57	58
Total liabilities	768	998	1 437	1 623
NET WORTH	3 899	4 745	5 972	6 448
Memorandum item from National Balance Sheet: Consumer durables	235	254	301	311

(a) Estimates are the average of 30 June year estimates. For example, estimates for 2011-12 are the average of data for 30 June 2011 and 30 June 2012

(b) Includes native standing timber

SCOPE AND MEASUREMENT DIFFERENCES

There are a number of scope and measurement differences that can be quantified between the SIH and ASNA household wealth estimates (Table A5).

The SIH estimates include the value of household contents and motor vehicles used for private purposes. The most closely related ASNA item is the value of consumer durables which is not included in the ASNA estimate of net worth in the household sector balance sheet but is included as a memorandum item in the National Balance Sheet (Table 16,

cat.no.5204.0). However, consumer durables in the ASNA exclude clothing and household textiles, artworks and antiques that are held as a store of value, and all non-durable household goods. Valuation methods also differ, with the ASNA estimating actual value, taking into account depreciation, whereas the SIH uses insurance cover which is normally based on a 'new for old' valuation basis. In 2011-12, the value of contents of dwelling and vehicles in the SIH was \$723 billion. The ASNA consumer durables memorandum item was \$311 billion in 2011-12.

The ASNA measure of net worth also includes some components which are not included in the scope of the SIH measure. The components which can be identified and deducted from the ASNA aggregate were, in total, \$543 billion in 2011-12, and include:

- unfunded superannuation claims which reflect the liability of some governments to pay superannuation benefits to their employees for which they have not set aside funds (\$266 billion);
- the technical reserves of general and life insurance corporations, which represent policy holders' net equity in, or claims on, the reserves of general and life insurance corporations (\$104 billion). The value of the technical reserves are not relatable to individual households and equate to prepayments of premiums and reserves held to cover outstanding claims;
- the capitalised costs of transfers of ownership on real estate transactions, such as stamp duties, legal fees and real estate agents' commissions (\$157 billion); and
- the bank deposit assets of non-profit institutions serving households (NPISHs), such as churches and charities, net of bank borrowings (\$16 billion).

After adjusting for the quantifiable differences shown in Table A5 the difference between the SIH and ASNA aggregates is reduced. In 2011-12, the adjusted SIH net worth was \$5,561 billion compared with adjusted ASNA net worth of \$5,905 billion. However, there are two remaining scope differences which cannot be easily quantified. The SIH excludes both people living in non-private dwellings and people living in very remote regions of Australia. It is estimated that this excludes approximately 3% of people living in Australia. The ASNA household sector estimates also include the net worth of NPISHs. While bank deposit assets and loans from banks can be quantified, other assets and liabilities of NPISHs, such as the value of dwellings and non-residential properties, cannot be separately identified, except in years when information are compiled for satellite accounts.

A5. ADJUSTMENT FOR SELECTED SCOPE AND MEASUREMENT DIFFERENCES

		2003-04	2005-06	2009-10	2011-12
SIH items					
Total household net worth	\$b	3 618	4 461	6 043	6 284
Less					
Value of contents of dwelling	\$b	366	404	510	540
Value of vehicles	\$b	133	154	172	183
Adjusted SIH net worth	\$b	3 118	3 904	5 361	5 561
ASNA items					
Net worth of household sector	\$b	3 899	4 745	5 972	6 448
Less					
Unfunded superannuation claims	\$b	143	160	237	266
Ownership transfer costs	\$b	100	124	148	157
Technical reserves of general and life insurance corporations(a)	\$b	76	93	95	104
NPISHs bank deposit assets (net of bank borrowings)(b)	\$b	6	6	12	16
Adjusted ASNA net worth	\$b	3 573	4 362	5 481	5 905
SIH as a percent of ASNA, after adjusting for scope and measurement differences	%	87	90	98	94

(a) Component of insurance technical reserves

(b) Component of currency and deposits

COMPARISON OF WEALTH ITEMS

This section compares selected individual sources of wealth in this publication with wealth items published in the ASNA, or source data available for those items.

Residential property assets

Residential property is the largest asset held by the household sector. The SIH collects data about the value of dwellings including owner occupied dwellings, second homes (such as holiday homes) and rental investment properties, if not reported as assets of an unincorporated business. Estimates are based on the gross amount respondents would expect to receive if they were to sell their property at the time of interview.

The ASNA uses total household dwelling stock at market value derived by the Reserve Bank of Australia (**RBA Bulletin**, Table B20). Counts of total dwellings are obtained from the ABS Census of Population and Housing. For intercensal years, dwelling counts are extrapolated forward using dwelling completions, net of demolitions. These counts are

multiplied by the mean market value of dwellings which are estimated by a private consultant, mainly using Valuers General data.

In 2011-12, the SIH estimate of the value of residential property was \$4,087 billion compared to the ASNA estimate of \$4,122 billion.

A6. RESIDENTIAL PROPERTY ASSETS

		2003-04	2005-06	2009-10	2011-12
SIH items					
Value of owner occupied dwelling	\$b	1 927	2 267	3 065	3 192
Value of other residential property	\$b	442	579	842	895
Total residential property assets	\$b	2 369	2 846	3 907	4 087
ASNA items					
Total residential property assets	\$b	2 489	2 958	3 844	4 122
Equals					
Dwellings	\$b	901	1 075	1 392	1 511
Residential land(a)	\$b	1 588	1 883	2 452	2 611
SIH as a percent of ASNA	%	95	96	102	99

(a) Component of land

Own unincorporated businesses

In the SIH respondents are asked to provide a net estimate of the value of their own unincorporated businesses (i.e. net of liabilities). Therefore, no information is available about the asset and liability composition of this component. For the purpose of this comparison, the values of non-residential property and private trusts reported in the SIH have been included in the selected assets listed in Table A7. However, any liabilities related to the non-residential property cannot be separately quantified.

The ASNA includes information about the individual assets and liabilities by type, but does not identify which assets or liabilities relate to unincorporated business activities and which are used for other purposes. However, some forms of assets and liabilities are most likely to relate to business activities.

Table A7 shows the individual items that most closely relate to the operations of unincorporated businesses. In 2011-12, the SIH net value of these selected assets was \$640 billion, while the net value of the selected ASNA assets and liabilities was \$644 billion. The two sets of estimates aligned more closely in 2011-12 (SIH 99.3% of ASNA) than in either 2003-04 or 2005-06 (with the SIH estimate being a little over half the ASNA estimate). The closer alignment can be partly attributed to improved estimates of the value of assets held by private trusts, such as family trusts, in the SIH, which were quantified separately for the first time in 2009-10.

A7. OWN UNINCORPORATED BUSINESS

		2003-04	2005-06	2009-10	2011-12
SIH items					
Value of own unincorporated business (net of liabilities)	\$b	121	114	181	178
Value of silent partnerships	\$b	-	-	*10	*37
Value of non-residential property	\$b	106	140	*303	219
Value of private trusts(a)	\$b	-	-	150	206
Total selected SIH items	\$b	226	253	644	640
ASNA items					
Total selected ASNA items	\$b	426	490	605	644
Equals					
Non-dwelling construction	\$b	140	167	219	238
Rural and commercial land	\$b	181	229	305	309
Machinery and equipment	\$b	80	89	109	112
Cultivated biological resources	\$b	18	19	22	24
Intellectual property products	\$b	4	4	6	6
Inventories	\$b	21	23	26	30
Other accounts receivable	\$b	67	64	76	91
Cash held by businesses(b)	\$b	7	8	11	12
<i>Total selected assets(c)</i>	\$b	519	604	774	822
Less					
Unincorporated business loans and placements(d)	\$b	48	57	83	93
Other accounts payable	\$b	33	41	57	58
Securities other than shares	\$b	12	16	30	27
<i>Total selected liabilities</i>	\$b	93	115	170	178
SIH as a percent of ASNA	%	53	52	107	99

* estimate has a relative standard error of 25% to 50% and should be used with caution

- nil or rounded to zero (including null cells)
- (a) Private trusts were collected but are not available separately in 2003-04 and 2005-06. There may be a small number of non-business related trusts, such as inheritance trusts, included in this item
- (b) Component of currency and deposits
- (c) Includes native standing timber
- (d) Component of loans and placements

Accounts with financial institutions

In Table A8, the SIH items 'accounts held with financial institutions' and 'offset accounts' are compared to the deposit component (excluding deposits of NPISHs) of the ASNA item 'currency and deposits', and the ASNA item 'loans and placements', that is, deposits with other financial institutions. The SIH items were around half the value of the ASNA items in all periods of analysis, for example, \$354 billion compared with \$655 billion in 2011-12.

There are two main factors which limit the comparability of the SIH and ASNA values for these assets. Firstly, the ASNA items include deposits belonging to unincorporated businesses which in the SIH are not identified separately in the net value of these businesses. In 2011-12 SIH there were about 559,000 households that reported owning an unincorporated business.

Secondly, the scope of the SIH excludes people living in non-private dwellings, many of whom would be older persons. Table 24 of this publication shows that households with a reference person aged 65 years and over have the highest deposit balances of any of the age groups. The SIH estimate in Table A5 also does not include the value of bank accounts held by children. For the first time in 2011-12, the value of offset accounts (\$35 billion) was explicitly collected in the SIH. Prior to 2011-12, the value of offset accounts was not separately collected but may have been reported by some households when reporting the value of their accounts held with financial institutions.

A8. ACCOUNTS WITH FINANCIAL INSTITUTIONS

		2003-04	2005-06	2009-10	2011-12
SIH items					
Value of accounts held with financial institutions	\$b	163	197	276	319
Value of offset accounts(a)	\$b	na	na	na	35
Total selected SIH items	\$b	163	197	276	354
ASNA items					
Total value of accounts with financial institutions	\$b	298	355	559	655
Equals					
Balances with authorised deposit taking institutions (excl NPISH deposits)	\$b	293	348	558	654
Loans and placements (assets)	\$b	6	7	1	1
SIH as a percent of ASNA	%	55	55	50	54

na not available

(a) Collected separately for the first time in 2011-12

Superannuation

Superannuation is the largest financial asset reported by respondents in the SIH. Respondents to the survey were asked to report the total balance in each of their superannuation funds by referring to their last superannuation statement.

The corresponding ASNA item is the pension fund component of insurance technical reserves. The ASNA estimate is derived from information provided to regulatory authorities by the superannuation funds and the ATO for the self managed funds.

In 2011-12, the value of superannuation assets reported in the SIH was lower than the ASNA estimate (\$1,142 billion and \$1,356 billion, respectively).

A9. SUPERANNUATION

		2003-04	2005-06	2009-10	2011-12
SIH item					
Balance of accounts with superannuation funds	\$b	491	670	973	1 142
ASNA item					
Pension funds(a)	\$b	555	801	1 114	1 356
SIH as a percent of ASNA	%	89	84	87	84

(a) Component of Insurance technical reserves

Shares and other equity (including own incorporated business)

In the SIH, respondents who own their own incorporated businesses are asked to report the value of the businesses net of liabilities. In principle, this should equate to the share value of those incorporated businesses. Respondents are also asked to report the current value of their investments in shares and trusts. In SIH 2009-10, improvements made to the questionnaire to separately collect the value of public unit trusts from other trusts significantly improved the coverage of trusts. In 2009-10 and 2011-12, the value of other (private) trusts, is included in the value of own unincorporated businesses in Table A11 as most of these trusts are likely to be associated with unincorporated business operations.

In the ASNA, the values of listed shares and some unlisted shares are calculated as residuals, that is, the total value of each of these types of shares owned by all sectors is estimated, and then the value of shares owned by sectors other than households are subtracted to derive the value of shares owned by the household sector. The values for other unlisted shares are derived from a range of reported data and other imputed estimates where householders are known to have an ownership interest.

Table A10 shows the individual items that relate to share and own incorporated business equity for both SIH and ASNA. The total value of the selected SIH items was \$421 billion in 2011-12, compared to the corresponding ASNA estimate of \$551 billion. At the individual item level, it can be assumed that the ASNA item 'listed shares' equates with the SIH items 'shares (excl. own unincorporated business)'. In 2011-12, these assets were valued at \$157 billion (SIH) and \$157 billion (ASNA), respectively.

There is less comparability between the SIH value of 'own incorporated business' and the ASNA value of 'unlisted shares issued by private non-financial corporations' (\$238 billion and \$365 billion, respectively, in 2011-12). In prior years, the ASNA estimates for unlisted shares issued by private non-financial corporations were significantly smaller than SIH estimates of the value of own incorporated business, ASNA's revised estimates are higher than the corresponding SIH estimates.

A10. SHARES AND OWN INCORPORATED BUSINESS

		2003-04	2005-06	2009-10	2011-12
SIH items					
Value of own incorporated business (net of liabilities)	\$b	177	359	332	238
Value of shares (excl. own incorporated business)	\$b	141	180	187	157
Value of trusts(a)	\$b	71	80	na	na
Value of public unit trusts(b)	\$b	na	na	31	27
Total value of shares and other equity	\$b	388	618	550	421
ASNA item					
Total value of shares and other equity	\$b	460	617	606	551
Equals					
Listed shares(c)	\$b	150	218	164	157
Unlisted shares issued by private non-financial corporations	\$b	268	351	400	365
Unlisted shares (other)(c)	\$b	42	49	43	29
SIH as a percent of ASNA	%	84	100	91	77

na not available

(a) Includes public unit trusts and private trusts not available separately in 2003-04 and 2005-06

(b) In 2003-04 and 2005-06, public unit trusts are included in 'Value of trusts'

(c) Component of shares and other equity

Property loans

SIH estimates of the value of property loans include the principal outstanding on loans, where the loans have been used both to finance the purchase or construction of, or alteration or addition to, an owner occupied dwelling, or to finance the purchase of other property. The SIH estimate includes loans for non-residential property not treated by respondents as part of the liabilities of their unincorporated business. However, it does not include loans for dwellings respondents regard as assets of their unincorporated businesses.

In the ASNA, loans for housing relate to all loans originally for the purpose of housing. In 2011-12, total property loans were estimated to be valued at \$1,009 billion in the SIH, compared with \$1,257 billion in ASNA. ASNA estimates have been consistently higher than SIH estimates for each year where data have been collected in the SIH. In previous years, some banks incorrectly reported housing loans and deposit categories to APRA. Due to system upgrades, this reporting has been improved, and data have been resubmitted to APRA. The 2012-13 ASNA will reflect these revisions.

A11. PROPERTY LOANS

	2003-04	2005-06	2009-10	2011-12
SIH items				

Principal outstanding on loans for owner occupied dwelling	\$b	310	396	574	645
Principal outstanding on rental and other property loans	\$b	154	231	308	364
Total property loans	\$b	463	627	882	1 009
ASNA items					
Total property loans	\$b	551	720	1 082	1 257
Equals					
Loans for owner occupied housing, where type of housing can be determined(a)	\$b	298	375	641	770
Loans for investment housing, where type of housing can be determined(a)	\$b	145	187	311	373
Loans for housing, where type of housing cannot be determined(a)	\$b	108	159	131	114
SIH as a percent of ASNA	%	84	87	82	80

(a) Component of loans and placements

Other loans

The SIH estimate of the value of loans for purposes other than for property or business, was \$114 billion in 2011-12, compared with \$185 billion in the ASNA.

There are a number of factors which may contribute to the difference in these two estimates. Firstly, the ASNA estimate will include loans of unincorporated businesses if they were not secured against a residential property whereas in the SIH, these loans are likely to be used in the calculation for net value of the business, and therefore not reported as a separate liability. There may also be difficulties in dividing aggregate financial data into sector specific components in the ASNA and some loans, such as those associated with vehicle finance leases, can be difficult to allocate between business purposes and personal purposes, for both reporting in SIH and in compiling the ASNA estimates.

A12. OTHER LOANS

		2003-04	2005-06	2009-10	2011-12
SIH items					
Debt outstanding on study loans	\$b	9	12	17	21
Amount owing on credit cards	\$b	14	17	22	24
Principal outstanding on loans for vehicle purchases (excl. business and investment loans)	\$b	21	23	19	24
Principal outstanding on investment loans (excl. business and rental property loans)	\$b	18	41	58	37
Principal outstanding on loans for other purposes (excl. business and investment loans)	\$b	11	14	9	10
Total other liabilities	\$b	74	106	125	114
ASNA items					
Total other liabilities	\$b	123	161	182	185
Equals					
HECS debt(a)	\$b	8	10	17	21
Consumer loans(a)	\$b	115	150	166	164
SIH as a percent of ASNA	%	60	66	68	62

(a) Component of loans and placements

REFERENCES

Australian Bureau of Statistics, **Australian System of National Accounts: 2011-12** (cat. no. 5204.0)

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FURTHER INFORMATION

A corresponding data confrontation for income is presented separately in appendices in **Household Income and Income Distribution, Australia, 2011-12** (cat. no. 6523.0).

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